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INDUSTRIALIZATION OF THE LEAST DEVELOPED COUNTRIES

Implementation of the UNIDO programme for the least developed countries

Report by the Director-General

Summary

Reports on activities and special measures approved, initiated or under implementation in the least developed countries during the period 1 April to 31 August 1996.

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Introduction

1. The Industrial Development Board at its fifteenth session (6-10 May 1996) took note of the information contained in document IDB.15/10 in which the activities of the least developed countries (LDC) programme during the period 1 September 1995 to 31 March 1996 (IDB.15/Dec.7) were reported on. In the same decision the Board requested the Director-General to accord highest priority to the implementation of the LDC programme, to take appropriate measures to implement the conclusions and recommendations of both the Second and Third Ministerial Symposia, to intensify efforts to mobilize funds for industrialization of the LDCs and to submit a progress report to the IDB at its sixteenth session. The present document is submitted in compliance with that decision.

2. The present document updates and supplements information provided in document IDB.15/10 and, thus, covers only activities and special programmes that were approved or initiated during the period 1 April to 31 August 1996.

I. FOCUS ON PRIORITY PROGRAMMES

3. Industrialization of the LDCs receives high priority among UNIDO programmes. Within the framework of the established thematic priorities and in response to requests from LDCs, assistance continued to be provided during the reporting period with a view to capacity-building, above all in human resources development with emphasis on women's entrepreneurship, investment promotion, small and medium industries development, private sector development, and energy and environment programmes. Total delivery of technical cooperation to LDCs, from 1 April to 31 August 1996, amounted to $3.28 million. This shows an increase of 13 per cent as compared to the same period in 1995 ($2.91 million).

4. Special attention was given to resource mobilization for the development and implementation of priority programmes and projects. A total of $7.12 million[1] was approved for LDCs under all sources of funds during the reporting period, indicating an increase of some 350 per cent as compared with the same period in 1995 ($1.60 million).

5. In addition, a total of $5.7 million was earmarked by the Programme and Project Review Committee (PPRC) under Industrial Development Decade for Africa (IDDA) resources for African LDCs for the biennium 1996-1997 (see chap. II, para. 38, below). This unprecedented decision is an important step towards implementation of Board decision IDB.15/Dec.7.

A. Africa and least developed countries: linking industry with agriculture (thematic priority 7)

6. The UNIDO high impact programme on the application of quality principles to the food-processing sector in seven South and East African countries, including five LDCs (Ethiopia, Malawi, Mozambique, Uganda, Zambia) was approved in June 1996 under a trust fund contribution from Germany ($2.3 million). The share of the five LDCs included in the programme amounts to almost $1.5 million. The programme has as an immediate objective the rapid and measurable improvement of food safety through implementing pilot programmes in selected enterprises and reinforcing the concerned support institutions. Programme implementation will commence in January 1997.

7. The preparatory phase of an agro-related industrial development programme, to be formulated for three African countries to be selected (including two LDCs) has been approved under IDDA resources ($95,000). The objective will be to assist these countries in enhancing competitiveness based on potential comparative advantages. The preparatory assistance will assess the current situation and the need for developing specific agro-related industries as well as strengthening industry-agriculture linkages in the selected African countries. Based on the findings of the preparatory phase, a medium-term integrated technical cooperation programme on agro-industrial development for the selected countries will be formulated. The preparatory phase will be completed by the end of this year.

8. Preparatory assistance has been approved under a trust fund contribution from Germany ($50,000) for the development of high-impact programmes on the application of UNIDO quality principles in the food-processing sector for Asian and West African LDCs (Bangladesh, Benin, Burkina Faso, Guinea, Lao People's Democratic Republic, Myanmar, Togo). Field missions have already started with a view to collecting country-specific data. Based on the information obtained, separate high impact programmes for each group of LDCs will be elaborated that will have as an immediate objective the rapid and measurable improvement of food safety and food quality through implementing pilot programmes in selected enterprises. By applying modern concepts of quality management and production the programmes will result in building up local and regional capacity for technical support to enterprises that are prepared to improve their quality and productivity in food processing. Potential donors have already expressed readiness to consider financing of the programmes.

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[1] This figure does not include funds that are being considered seriously for the active pipeline programme (see paragraphs 12 and 13 of the present document).

9. A revised version of the project document on promotion of the traditional textile industry in West Africa (phase III) has been submitted to PPRC for consideration ($120,000 under IDDA and $533,000 for donor financing). The purpose of this project is to establish a regional *tissutèque* in Mali as a focal point for the promotion of the traditional textiles industry in West African LDCs and to assist in improving the quality of traditional textiles products for those countries. A potential donor has indicated basic interest to provide the required funds.

B. Other priority areas of technical cooperation

Human resources development, including women entrepreneurs

10. The first part of the high impact programme for women entrepreneurship development was approved in July 1996 under a trust fund contribution from Belgium ($1.2 million) for three West African countries (Côte d'Ivoire, Mali, Senegal). The share of one LDC (Mali) in this programme amounts to $1 million. The programme aims at maximizing the contribution of women entrepreneurs to sustainable socio-economic development as well as creating an enabling environment for the improvement and growth of women's industrial enterprises.

11. As a follow-up to the ongoing food processing project for rural women in Burkina Faso and Mali, under which 26 multi-functional platforms are already installed in both countries, a multi-funded project (UNIDO/IFAD/UNDP, $1,091,300) has been developed. The IFAD (International Fund for Agricultural Development) component ($181,000) has already been approved. UNIDO's component ($162,200) is being financed under IDDA supplementary resources. The UNDP (United Nations Development Programme) share ($748,100) is already approved by the UNDP office in Mali. This follow-up project aims at establishing local capacities through further training of all actors (such as women artisans and non-governmental organizations) to ensure the sustainability of the ongoing project. The platforms, consisting of a diesel engine for power generation as well as other equipment such as welding machines, straw cutters, battery chargers and water pumps, allow the communities to make more rational use of energy generated by the engine and other equipment rented through the platforms. Furthermore, they provide employment opportunities for the rural population and particularly women.

12. Based on the findings of a needs assessment mission to Ethiopia in November 1995, a project document has been formulated ($800,000) on women's entrepreneurship development in the agro-industries subsector. The proposed programme, being seriously considered for financing by a potential donor, includes several components that cover, *inter alia*, training needs of women entrepreneurs, quality improvement and capacity-building in food-processing industries.

13. In response to an official request from the United Republic of Tanzania, the second phase of the training programme for women entrepreneurs in the food-processing industry is being finalized for consideration by a potential donor (approximately $700,000). The main purpose of the second phase, covering a period of three years, would be to ensure the sustainability of the ongoing project through the development and strengthening of institutional arrangements, development of a new training programme, setting standards and quality controls.

14. A project has been approved under IDDA resources ($139,500) to strengthen the institutional capacity of the African Training and Research Centre in Administration for Development (CAFRAD), Tangier. The project will support CAFRAD in organizing training programmes for entrepreneurs and consultants in French-speaking LDCs in agro-industrial small and medium enterprise management.

15. UNIDO financed a study tour of three Burundian women entrepreneurs, who participated in the trade fair organized by the Ghana Association of Women Entrepreneurs at Accra, Ghana, in June 1996.

16. As a result of a programming mission to Eritrea in June 1996, training needs were identified in such areas as development and promotion of SMEs, formulation of industrial policies and regulations, promotion of the role of women in industrial development and support services to meet the needs of the Eritrean Business Women's Association. Detailed proposals are being formulated.

17. A preparatory study was approved under IDDA resources to review jointly with UNDP various aspects of support to women's entrepreneurship, poverty alleviation and investment promotion in Togo. The preparatory assistance—to be co-financed by UNDP ($54,500)—will lead to formulation of a broader integrated programme in the above priority areas for financing under African Development Bank resources. UNIDO is expected to participate in the large-scale projects emanating from the study.

18. Within the context of a national programme in Benin, a needs assessment mission is being fielded to identify training needs for women entrepreneurs in food-processing areas, with focus on technology and management. The mission will also review the prospects of a study tour in the same area to be undertaken by Benin women entrepreneurs.

Investment promotion

19. The proposed investment promotion programme for the United Republic of Tanzania with a value of $669,280 has been approved under UNDP resources. The programme aims at strengthening capacity within the Ministry of Industry, the Investment Promotion Centre and other private and public sector institutions to enable them to identify, formulate and promote investment projects. The programme includes an investment forum to be held at Dar es Salaam from 4 to 8 November 1996.

20. A meeting of African investment promotion agencies and UNIDO Investment Promotion Service (IPS) offices will be convened in conjunction with the launching of the Alliance for Africa's Industrialization at Abidjan, Côte d'Ivoire, in October 1996. The purpose of this meeting is to bring together investment promotion agencies or equivalent institutions from a number of African countries (including LDCs) to discuss various aspects of investment promotion activities in Africa, including how to better network African investment promotion agencies with UNIDO IPS offices.

21. Action is being initiated to recruit a short-term consultant to assist the Government of Mali in converting the existing CAPES (Centre d' Assistance pour les Projets, les Entreprises et les Sociétes) to an investment promotion agency. The mission is planned to be fielded in September/October 1996.

Industrial strategies, capacity-building and private sector development

22. The high impact programme on integrated advisory services for industrial policy formulation and competitiveness strategies, designed for a group of Asian countries at varying degrees of development (Cambodia, Lao People's Democratic Republic, Malaysia, Myanmar, Thailand, Viet Nam) is being implemented in Viet Nam. Mobilization of resources for other countries, including LDCs, is being actively pursued. The programme aims at providing direct assistance and advisory services in the formulation of industrial policies and competitiveness strategies as well as capacity-building initiatives to ensure the sustainability of the implemented programmes and projects.

23. A new project for a national industrial statistics programme (NISP) with a value of $20,000 has been approved under IDDA resources for Gambia. It aims at consolidating and improving the industrial statistical information systems in the Gambian Ministry of Trade, Industry and Employment (MOTIE) through application of computerized information systems. NISP will enable MOTIE and other statistical offices and the private sector in the country to collect, adjust, store, analyse and disseminate statistical data and to obtain timely and reliable information for policy evaluation and decision-making.

24. A Special Industrial Services programme (SIS) project valued at $130,000 has been approved that aims to streamline the design and production bottlenecks at the Engineering Design and Tool Enterprise in Ethiopia. The main objectives of the project are to upgrade the design procedure, improve manufacturing capacity for tool making, equipment and machinery, and improve packaging techniques, procurement and promotion skills.

25. UNIDO technical support services at the project level (TSS-2) to the amount of $59,700 have been approved under UNDP resources to the Government of Ethiopia. The project will assist the Government in the implementation of the second phase of the national programme for management of economic and technical change. Under this project, assistance will be provided in the areas of industrial extension services in selected subsectors and informal sector enterprises, and an information centre and information system on investment and technology.

26. In Mozambique, TSS-2 services have also been approved with a value of $15,610 to assist the Government in developing a national metrology service. Under this project, UNIDO will assist in formulating and preparing a full-scale project document for consideration by potential donors.

27. Under a trust fund project costed at $127,000 UNIDO will assist the Ministry of Commerce and Industries of Haiti in enhancing its capacity for the formulation of industrial policies through the development of a nation-wide management and coordination tool. This technical tool, the flexible national management system (FENAMS)—similar to one developed for the National Environment Protection Agency in China—will assist the Ministry to gain a higher degree of transparency in the process of information exchange and a better overview of various activities in different regions of the country. Thus, FENAMS will be a highly efficient decision-making support system within the Ministry.

28. Assistance will be provided to some Islamic LDCs in the development of industrial and management consultancies. Within an interregional project approved under Industrial Development Fund (IDF) resources of $42,250, a seminar will be conducted in cooperation with the Federation of Consultants of Islamic Countries at Jeddah, Saudi Arabia, in October 1996. The seminar will provide an opportunity for 20 professionals from Islamic countries, including selected LDCs, to assess the status of industrial and management consultancies, determine their needs and make recommendations on

strengthening industrial management consultancy capacities and enhancing cooperation among consultancy firms within the Federation of Consultants of Islamic Countries.

29. The Government of Togo was assisted in organizing an international conference on promotion of free trade zones and private foreign investment at Lomé, from 4 to 7 June 1996. Under a project valued at $34,000 financed from IDDA resources, a UNIDO consultant prepared and submitted to the conference a theme paper on the subject issues. The project also provided funds for the participation of five export processing zone managers from different regions.

30. A new project valued at $177,000 was approved for Mauritania under IDDA resources that aims at introducing advanced quality control technologies in fish-processing plants. Assistance will be provided under this project through reinforcement of institutional capacity (in particular quality control departments of the plants) as well as direct technical cooperation at the enterprise level.

31. Technical support services at the programme level (TSS-1) have been approved for Western Samoa under UNDP resources with a value of $55,000. The project aims at assessing industrial sector development needs, constraints and potential in order to recommend the design, formulation and implementation of short, medium and long term industrial development policies of the country.

32. Under a trust fund project approved by Japan and valued at $259,000, UNIDO will assist the Privatization Unit of the Ministry of Finance in Lesotho in formulating appropriate restructuring and privatization strategies. The main objective of the project is to carry out specific diagnosis of selected state-owned enterprises and to render assistance in improving management of the enterprises through the development and implementation of appropriate management training programmes.

33. UNIDO cooperated in the implementation of a nationally executed programme in Uganda on private sector development. A UNIDO consultant, financed under UNDP resources of $56,300, assisted the Government from May to July 1996 in the introduction of a consultative mechanism for interactive policy and strategy formulation for private sector development, following the strategic management of industrial development approach. The expert drafted a national strategy and programme of action for the development of the manufacturing industries sector, which is being submitted to the Government for follow-up.

Environmental programmes

34. Under a trust fund contribution from Japan, the first stage of the high impact programme on introducing new technologies for abatement of global mercury pollution has been approved for the United Republic of Tanzania with a total value of $368,000. The objective of this programme, which was designed for four countries including three LDCs (Ethiopia, Mozambique, United Republic of Tanzania) is to replace mercury amalgamation with new technology and better equipment, thereby improving the income of miners through more efficient recovery. The programme also includes policy advice on the regulation of artisanal gold mining with due consideration of gender issues. The implementation of this programme is being initiated.

35. Two projects with a total value of $172,227 were approved for Sudan under Montreal Protocol funds. They aim at phasing out CFC-11 from the production of flexible slabstock foams used for the production of foam-filled mattresses and phasing out of ozone-depleting substances at three small domestic refrigerator factories in that country. Implementation of both projects is being initiated.

36. An SIS project valued at $45,500 will provide high-level assistance in reducing water pollution emanating from the textile and carpet industries located in the Kathmandu valley, Nepal. The methods to be used under this project for reducing pollution are expected to be applied also to other non-textile subsectors and in regions other than Kathmandu.

37. A new project has been approved under self-financed trust funds ($233,283) to assist Madagascar in developing an ecologically sustainable industrial programme. The immediate objective is to establish institutional capacity and techniques to enable the Government to formulate a strategy for ecologically sustainable industry.

II. MOBILIZATION OF ADDITIONAL RESOURCES

38. As already stated under paragraph 5 above, PPRC decided to allocate at least 50 per cent of IDDA resources (both XA and YA)* for African LDCs, in the biennium 1996-1997. This means that from the total

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* Regular budget components for financing of IDDA activities consist of technical cooperation (XA) and supplementary activities (YA).

programme resources for the biennium (approximately $11.4 million), an amount of approximately $5.7 million is earmarked for LDCs in the African region.

39. In response to General Conference resolution GC.6/Res.8, UNIDO has drafted a detailed concept for the development of a synergy programme for LDCs containing specific proposals in line with that resolution and with the recommendations of the Third Ministerial Symposium. The draft concept is being reviewed by various UNIDO divisions prior to its finalization.

40. As a first step towards implementation of the synergy programme, a needs assessment mission is being planned for all LDCs in Africa to study the possibilities and prospects of setting up national information networks with antennae in private sector organizations of those countries. The proposal would be included as part of the package for consideration and financing under the Alliance for Africa's Industrialization. A similar needs assessment mission would be launched, subject to availability of resources, to the Asian and Pacific LDCs as well as to Haiti at a later stage.

41. Within the context of the Alliance for Africa's Industrialization (see IDB.16/16), UNIDO is giving particular attention to the needs and requirements of LDCs in that region. All LDCs in Africa are involved in the process of launching the Alliance for Africa's Industrialization.

42. In view of the great potential for cooperation among developing countries, informal discussions took place with representatives in Vienna of developing countries on the concept and strategy of the ECDC/TCDC programme. It was recognized that a reorientation of ECDC/TCDC with higher emphasis on LDCs needs to be considered. It was therefore recommended that further discussions take place in order to review existing bilateral ECDC/TCDC programmes as well as those of UNIDO. A draft concept to review the above issue on a pilot basis is being formulated.

III. OTHER INITIATIVES

43. A UNIDO high-level mission to Togo, headed by the Director-General, took place from 9 to 11 July 1996. During his visit, the Director-General met with the Head of State, high ranking officials, representatives of the United Nations, multilateral and bilateral organizations and discussed the contribution of UNIDO to the industrial development of Togo. As a direct result, the Government agreed to allocate around $100,000 from its budgetary resources as a local contribution for reopening the UNIDO office at Lomé. Follow-up actions on reopening the UNIDO office as well as other operational and pipeline industrial programmes that are highlighted in the joint communique between the Director-General and Government of Togo are being actively pursued.

44. The visit of the Director-General to Togo was preceded by another UNIDO delegation, headed by the Managing Director of the Country Programmes and Funds Mobilization Division, who represented UNIDO at the international conference on free zones and private foreign investment (Lomé, 4-7 June), attended by 800 representatives from 40 countries. UNIDO had already provided specialized consultancy inputs to assist the Government of Togo in organizing the conference (see para. 29 above).

45. At the invitation of the national authorities of Eritrea, a UNIDO delegation visited the country from 8 to 18 June 1996 to discuss with the Government and private sector as well as United Nations and bilateral agencies the industrial development objectives, constraints and priority needs of the country. As a result of the first major UNIDO mission to this newest African State, several areas for UNIDO cooperation were identified. These areas covering, *inter alia*, capacity-building in the Ministry of Trade and Industry, support to small-scale industries development, and information, statistics and technology transfer, are being followed up by various UNIDO divisions.

46. All programme and project managers in UNIDO have been asked in the future to clearly specify the LDC and non-LDC components and target beneficiaries in regional, interregional and global project documents. This and other new features, including the designation of divisional focal points, have been established to facilitate measuring and reporting on the involvement of LDCs in UNIDO projects.

IV. ACTION REQUIRED OF THE BOARD

47. The Board may wish to take note of the information contained in the present document.